

Message Text

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SUBJECT: USSR ACTIVITIES OF INDREBA GMBH, BASEL, SWITZERLAND

COMMERCE FOR BEWT

1. BEGIN UNCLASSIFIED. INDREBA COMMERCIAL DIRECTOR HANS-JURGEN ANDREE CALLED AT EMBASSY NOV 28 TO APPRISE US OF FIRM'S ACTIVITIES IN USSR MARKET TO DATE (INDREBA HAS HAD UNACCREDITED OFFICE IN MOSCOW FOR PAST SEVEN YEARS.) SUMMARY OF HIS REMARKS FOLLOW.

2. US COMPANY REPRESENTATION. DURING PAST SIX MONTHS INDREBA HAS BECOME ASSOCIATED (ALBEIT NOT IN LEGAL SENSE) WITH THOMAS H. MINER & ASSOCIATES, INC., OF CHICAGO, A TRADE PROMOTION/MANAGEMENT FIRM WHICH RECENTLY ORGANIZED EAST-WEST TRADE SEMINAR IN CHICAGO. THROUGH THAT CONNECTION, INDREBA, WHICH FOR YEARS HAS REPRESENTED MANY EUROPEAN FIRMS IN USSR, HAS BEGUN TO ACTIVELY SOLICIT REPRESENTATION RIGHTS FROM AMERICAN COMPANIES AS WELL. FOLLOWING ARE ITS RESULTS IN THIS FIELD TO DATE:

A. ORGANIZED EXHIBITION IN MOSCOW FOR AMERICAN OPTICAL CORP. IN SEPTEMBER, 1973, AT WHICH COMPANY'S HIGH-PRECISION INSTRUMENTS WERE PURPORTED TO BE EXCEPTIONALLY WELL-RECEIVED BY SOVIETS.

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B. HAS BEEN RETAINED BY SEARS, ROEBUCK, AND CO.
TO UNDERTAKE MARKET STUDY IN USSR WITH VIEW TOWARD
MARKETING COMPANY'S KNOW-HOW IN MAIL ORDER/CATALOG STORE
SUPPLY OF CONSUMER GOODS. ANDREE CLAIMS HE HAS UN-
COVERED "GREAT" SOVIET INTEREST IN THIS AREA.

C. IS IN PROCESS OF CONCLUDING REPRESENTATION
AGREEMENT WITH MOTOROLA WITH VIEW TO SELLING FIRM'S
IN-STORE TELEVISION-SECURITY UNITS TO USSR.

D. IS ALSO REPRESENTING "THREE OR FOUR" OTHER
UNNAMED AMERICAN COMPANIES IN USSR.

3. OTHER INDREBA ACTIVITIES IN USSR. INDREBA PARTICIPATES
IN MOST INTERNATIONAL AND FOREIGN EXHIBITIONS IN USSR (BOTH
IN AND OUT OF MOSCOW), ORGANIZING COLLECTIVE STANDS OF
WEST EUROPEAN COMPANIES. FIRM ALSO HAS AGREEMENT WITH TASS
FOR EXCLUSIVE PUBLISHING IN WESTERN EUROPE OF
ECONOMIC/COMMERCIAL NEWS PUT OUT BY TASS. FIRM'S
WEEKLY BULLETIN ECOTASS WIDELY READ HERE AND, PRESUMABLY,
IN WESTERN EUROPE. END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE. ANDREE STATED THAT INDREBA
NOW WANTS TO UNDERTAKE MAJOR EXPANSION OF ITS ACTIVITIES
IN USSR BY SEEKING CONTRACT FOR KRASNAYA PRESNYA EXHIBI-
TION CENTER. ANDREE CLAIMED THAT FIRM HAS PUT TOGETHER
"CONSORTIUM" OF DESIGN, CONSTRUCTION, AND FINANCING
ORGANIZATIONS (LATTER APPARENTLY CONSISTING OF GROUP
OF BANKERS WHO HAVE ORGANIZED FIRM KNOW AS EAST-WEST
INTERFINANCE LTD., DUFOURSTRASSE 32, 4052 BASEL, SWITZER-
LAND). CONSORTIUM HOPEFUL OF LANDING CONTRACT DESPITE
LATE DATE OF ITS ENTRY INTO BIDDING FRAY. WHILE DIS-
CUSSING THIS PROJECT, ANDREE CLAIMED THAT SOVIETS ALSO
PLANNING TO CONSTRUCT "HUGE" NEW EXHIBITION COMPLEX ON
OUTSKIRTS OF MOSCOW, BEGINNING IN NEAR FUTURE, WHICH WILL
BE MUCH LARGER THAN EITHER SOKOLNIKI (40,555 SQUARE
METERS COVERED EXHIBITION SPACE AND 26,129 SQUARE METERS
OPEN) OR KRASNAYA PRESNYA COMPLEX (60,000 SQUARE METERS
TOTAL). (THIS IS FIRST WE HAVE HEARD OF ANY SUCH PLAN.)
THIS PROJECT TOO BIG FOR INDREBA HE CLAIMED, BESIDES WHICH
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HE UNDERSTANDS SOVIETS WISH TO BUILD IT ENTIRELY ON THEIR
OWN. EDGE-OF-TOWN SITE WOULD BE VENUE FOR ALL INTER-
NATIONAL (MEZHDUNARODNIYE) EXHIBITIONS WHEREAS KRASNAYA
PRESNYA WOULD BE USED EXCLUSIVELY FOR FOREIGN (INOSTRANNIYE)
SHOWS, ACCORDING TO ANDREE. END LIMITED OFFICIAL USE

5. BEGIN CONFIDENTIAL. ANDREE, WHO WAS EXCEPTIONALLY
TALKATIVE, ALSO RAMBLED ON AT LENGTH ABOUT INDREBA'S

MODUS OPERANDI IN MOSCOW. HE STATED, FOR EXAMPLE, THAT:

A) FIRM ACTIVELY PARTICIPATES IN LOCAL BLACK MARKET, OBTAINING MOST OF ITS RUBLES IN THAT WAY, AT RATE OF TWO RUBLES FOR ONE DOLLAR. IT ACCOMPLISHES THIS IN ONE OF FOUR WAYS: PHYSICALLY EXCHANGING DOLLARS FOR RUBLES WITH CONTACT IN MOSCOW; PROVIDING COUPONS FOR USE IN BERYOZKA STORES IN EXCHANGE FOR RUBLES; PURCHASING GOODS FOR CONTACT IN DOLLAR STORES IN EXCHANGE FOR RUBLES; AND SENDING INTERNATIONAL MONEY ORDERS TO CONTACT FROM SWITZERLAND IN RETURN FOR RUBLES PROVIDED TO IN-COUNTRY INDREBA REP (A. POPP).

B) UNLIKE OTHER WESTERN FIRMS INDREBA IS ALLOWED TO PAY OFFICE RENTAL IN RUBLES. COMPANY'S THREE-ROOM SUITE AT UKRAINA HOTEL COSTS 40 RUBLES PER DAY AND IN PART IS PAID WITH BLACK MARKET RUBLES (FIRM ALSO HAS RUBLE ACCOUNT--AS WELL AS DOLLAR AND SWISS FRANC ACCOUNTS--AT USSR BANK FOR FOREIGN TRADE).

C) INDREBA HAS "ARRANGEMENT" WITH USSR CHAMBER OF COMMERCE AND INDUSTRY WHEREBY THAT ORGANIZATION, RATHER THAN UPDK, PROVIDES AS MANY SOVIET EMPLOYEES AS OFFICE REQUIRES AT ANY GIVEN TIME. THEY ARE PAID PARTLY IN RUBLES (BLACK MARKET) AND PARTLY IN HARD CURRENCY (VIA CHAMBER).

D) FIRM RENTS ON PERMANENT BASIS STORAGE SPACE IN MOSCOW FOR STANDS USED AT EXHIBITIONS. RENTAL ALSO PAID WITH CHEAP RUBLES.

6. COMMENT: ANDREE'S REMARKS ABOUT FINANCIAL ACTIVITIES OF INDREBA'S MOSCOW OFFICE ARE MOST CANDID WE HAVE HEARD ON THIS SUBJECT AND MUST BE TAKEN WITH GRAIN OF SALT. FOR EXAMPLE, WHEREAS HOTEL RENTAL FOR THOSE ROOMS NOT CONTROLLED
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BY INTOURIST COULD BE PAID IN RUBLES (AND THEORETICALLY IN CASH WITH BLACK MARKET RUBLES), OFFICE HELP AND STORAGE RENTAL COULD NOT BE BUT RATHER THROUGH BANK TRANSFER FROM FIRM'S RUBLE ACCOUNT IN VNESHTOBANK. DEPOSITS OF CASH RUBLES INTO SUCH ACCOUNTS ARE NOT USUALLY ALLOWED AND TO OUR KNOWLEDGE NEVER PERMITTED BY BUSINESS FIRMS. LOW RENTAL RATE FOR OFFICE SPACE, IF TRUE, EXPLAINED BY FACT COMPANY OCCUPIES SPACE NOT ASSIGNED TO INTOURIST.

7. FINALLY, AT END OF LONG CONVERSATION, ANDREE STATED THAT INDREBA, WITH ITS EXPERTISE IN STAGING EXHIBITIONS IN USSR, WOULD LIKE TO BID ON CONTRACT TO SET UP U.S. PARTICIPATION IN ZDRAVOOKHRANEN IN '74. (FYI MINER REPS HAD BROUGHT UP SAME SUBJECT WITH EMBOFF SWARTZ

DURING HIS CONSULTATION AT CHICAGO COMMERCE FIELD OFFICE
IN JULY. AT THAT TIME, SWARTZ REFERRED THEM TO BEWT/
OEWTD. END FYI) EMBOFF RECOMMENDED TO ANDREE THAT HIS
MINER COLLEAGUES CONTINUE TO PURSUE THIS AT WASHINGTON
END, WHERE DECISION WOULD BE MADE.
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